

# **Tobin & Co.**

Bingham-Suttons Bay Joint Building Authority

Leelanau County, Michigan

Financial Statements

For the Year Ended March 31, 2006

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Bingham-Suttons Bay Joint Building Authority	County Leelanau
Audit Date 3/31/06	Opinion Date 9/29/06	Date Accountant Report Submitted to State: 10/2/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

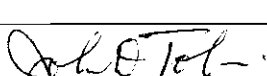
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

**TOBIN & CO., P.C.**  
400 E. EIGHTH ST.

Certified Public Accountant (Firm Name) TRAVERSE CITY, MI 49686-2668			
Street Address 231-947-0155		City	State ZIP
Accountant Signature 		Date 9/30/06	

# **Tobin & Co.**

## Table of Contents

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Comments and Recommendations	4
<u>FINANCIAL SECTION</u>	
Accountant's Report	6
Basic Financial Statements	
Statement of Net Assets and Governmental Fund Balance Sheet	7
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances	8
Notes to Basic Financial Statements	9 - 12

# **Tobin & Co.**

## INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have examined the basic financial statements and the individual fund financial statements of Bingham-Suttons Bay Joint Building Authority, Leelanau County, for the year ended March 31, 2006 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Authority's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Authority's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Bingham-Suttons Bay Joint Building Authority taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations. These comments and recommendations are intended to take the place of a separate management letter.

### Organization and Function

The Bingham-Suttons Bay Joint Building Authority was created by Bingham Township, Michigan and Suttons Bay Township, Michigan under the provisions of Act 31, Public Acts of Michigan, 1948, as amended. The Authority is governed by a board appointed by the township units which it serves. The board meets monthly.

The Authority was formed to construct a facility for the Suttons Bay-Bingham Fire and Rescue Unit. Bonds amounting to \$1,975,000 were sold in October 2004 to finance the project. Voted millage of the townships will fund the debt service which began on May 1, 2005. Title to the facility will be transferred to the townships at the time the debt is paid off. Therefore, the arrangement will be accounted for as a direct financing lease.

### Accounting Records and Procedures

Accounting records were maintained in very good order. Receipts were deposited timely and intact. Bank accounts were reconciled on a monthly basis. Our testing disclosed that disbursements were supported by itemized invoices.

### Board Minutes

Board minutes were maintained in good order.

### Insurance and Surety Bond Coverage

Records indicate that the Authority has such insurance coverage as fire and extended coverage for buildings, furnishings, and equipment and general liability.

After completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

# **Tobin & Co.**

## FINANCIAL SECTION

---

# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

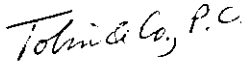
To the Members  
Bingham-Suttons Bay Joint Building Authority  
Leelanau County  
Suttons Bay, Michigan 49682

We have audited the basic financial statements of Bingham-Suttons Bay Joint Building Authority (the Authority), Leelanau County, as of and for the year ended March 31, 2006. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Bingham-Suttons Bay Joint Building Authority, Leelanau County, at March 31, 2006, and the results of operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.



TOBIN & CO., P.C.  
Certified Public Accountants  
September 29, 2006

# Tobin & Co.

## Bingham-Suttons Bay Joint Building Authority Statement of Net Assets and Governmental Fund Balance Sheet March 31, 2006

	General Fund	Adjustments (Note 3)	Statement of Net Assets
<u>Assets</u>			
Cash in Bank	\$ 8,026	\$ -	\$ 8,026
Current Portion of Lease Receivable	-	85,000	85,000
Lease Receivables, Due After One Year	-	1,809,955	1,809,955
Other Assets	-	43,195	43,195
Total Assets	<u>8,026</u>	<u>1,938,150</u>	<u>1,946,176</u>
<u>Liabilities</u>			
Accrued Interest Payable	-	28,050	28,050
Bonds Payable – Due Within One Year	-	85,000	85,000
Bonds Payable – Due After One Year	-	1,809,955	1,809,955
Total Liabilities	<u>-</u>	<u>1,923,005</u>	<u>1,923,005</u>
<u>Fund Balances/Net Assets</u>			
Fund Balance			
Restricted	8,026	15,145	23,171
Unrestricted	-	-	-
Total Fund Balances	<u>8,026</u>	<u>15,145</u>	<u>23,171</u>
Total Liabilities and Fund Balances	<u>\$ 8,026</u>		
<u>Net Assets</u>			
Restricted		15,145	23,171
Unrestricted		-	-
Total Net Assets		<u>\$ 15,145</u>	<u>\$ 23,171</u>

See Accompanying Notes to Basic Financial Statements



# Tobin & Co.

## Bingham-Suttons Bay Joint Building Authority Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances For the Year Ended March 31, 2006

	<u>General Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>Expenditures/Expenses:</u>			
Facilities and Equipment	\$ 260,526	\$ (260,526)	\$ -
Administrative Services	<u>3,539</u>	<u>-</u>	<u>(3,539)</u>
Total Expenditures/Expenses	<u>264,065</u>	<u>(260,526)</u>	<u>(3,539)</u>
<u>Program Revenues:</u>			
Miscellaneous	385	-	385
Contributions	<u>61,698</u>	<u>-</u>	<u>61,698</u>
Total Program Revenues	<u>62,083</u>	<u>-</u>	<u>62,083</u>
Net Program Revenues (Expenses)	(201,982)	260,526	58,544
<u>General Revenues:</u>			
Interest	<u>2,357</u>	<u>-</u>	<u>2,357</u>
Excess Revenues (Expenditures) Before Other Financing Sources (Uses)	(199,625)	260,526	60,901
<u>Other Financing Sources (Uses)</u>			
Proceeds from Issuance of Long-term Debt	-	-	-
Repayment of Debt and Interest	<u>(139,740)</u>	<u>15,145</u>	<u>(124,595)</u>
Total Other Financing (Uses)	<u>(139,740)</u>	<u>15,145</u>	<u>(124,595)</u>
Excess Revenues (Expenditures)	(339,365)	-	-
Change in Net Assets		275,671	(63,694)
<u>Fund Balance/Net Assets:</u>			
Beginning of the Period	<u>347,391</u>	<u>(260,526)</u>	<u>86,865</u>
End of the Period	<u>\$ 8,026</u>	<u>\$ 15,145</u>	<u>\$ 23,171</u>

See Accompanying Notes to Basic Financial Statements

# **Tobin & Co.**

## **Bingham-Suttons Bay Joint Building Authority Notes to Financial Statements March 31, 2006**

### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

Bingham-Suttons Bay Joint Building Authority is located in Leelanau County and was formed by two Townships.

The Authority's basic financial statements include the accounts of all Authority operations. The criteria for including organizations within the Authority's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### **B. Basis of Presentation**

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Authority. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

The financial activities of the Authority are also reported in a separate self-balancing governmental fund described as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Authority. Revenues are derived primarily from property taxes levied by the two township members of the Authority.

#### **C. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Authority Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred.

The revenue susceptible to accrual are property taxes, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

# **Tobin & Co.**

## **Bingham-Suttons Bay Joint Building Authority Notes to Financial Statements March 31, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **D. Budgets**

The budget for the Authority is a project budget rather than an annual budget. Therefore, budget to actual information has not been reflected in the financial statements.

#### **E. Other Assets**

Other assets consists of debt issuance costs which will be amortized over the period in which the bonds are outstanding.

#### **F. Capital Assets**

Capital assets include land, construction in progress, equipment and furniture, and are valued at historical cost or estimated cost if actual historical cost is not available. Construction costs are capitalized when incurred. Interest on bonds during the construction period is capitalized net of any interest earned. Upon retirement of the Authority bonds, the asset will be transferred to Bingham and Suttons Bay townships.

#### **G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.

B. All funds had positive fund balances at March 31, 2006.

C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the period ended March 31, 2006, the Authority was in compliance.

### **NOTE 3 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

Net capital assets of \$1,894,955 used in governmental activities are not financial resources and therefore are not reported in the fund.

Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not recorded as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

### **NOTE 4 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES**

Governmental funds report capital outlays as expenditures. However, in the statement of net assets these costs are capitalized. Upon completion of construction, these assets will be accounted for as a direct financing lease. See Note 7.

# Tobin & Co.

## Bingham-Suttons Bay Joint Building Authority Notes to Financial Statements March 31, 2006

### NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Authority, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

#### B. Types of Deposits

The Authority had \$9,791 deposited with a local financial institution at March 31, 2006 with a carrying value of \$8,026. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Authority had no uninsured deposits at March 31, 2006.

### NOTE 6 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following:

	Balance 3/31/05	Additions	Deletions	Balance 3/31/06
Land	\$ 350,000	\$ 4,300	\$ 354,300	\$ -
Building	1,348,405	236,596	1,585,001	-
Equipment and Furniture	16,069	19,630	35,699	-
Total	<u>\$ 1,714,474</u>	<u>\$ 260,526</u>	<u>\$ 1,975,000</u>	<u>\$ -</u>

### NOTE 7 - LEASES RECEIVABLE

Upon completion of construction in June 2006, the Authority began leasing the Fire Department facility to the townships under a contract capitalized as a direct financing lease. The lease payments are pledged solely for payment of the maturing bonds and interest. When the bonds issued by the Authority have been retired, title to the facility will be conveyed to the townships. Therefore, the transaction is being accounted for as a capital lease.

# Tobin & Co.

## Bingham-Suttons Bay Joint Building Authority Notes to Financial Statements March 31, 2006

### NOTE 8 - LONG-TERM DEBT

In October 2004, the Authority sold bonds amounting to \$1,975,000. The following table summarized the issuance:

Original Issue	\$ 1,975,000
Outstanding Balance	\$ 1,975,000
Interest Rates	3% to 4.1%
Serial Maturity on Outstanding Bonds	May 1, 2006 – 2019
Call Provision Begins	May 1, 2014
Source of Lease Payments Used For Redemption Funds	Voted Millage

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
March 31,		
2007	\$ 85,000	\$ 66,045
2008	95,000	63,345
2009	105,000	60,345
2010	115,000	57,045
2011	120,000	53,520
2012	125,000	49,783
2013	130,000	45,700
2014	140,000	41,105
2015	145,000	36,045
2016	155,000	30,568
2017	160,000	24,660
2018	170,000	18,305
2019	180,000	11,390
2020	<u>190,000</u>	<u>3,895</u>
	<u>\$ 1,915,000</u>	<u>\$ 561,751</u>

### NOTE 9 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Authority.

### NOTE 10- RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Authority addressed these risks through the purchase of commercial insurance through a local insurance agent and Citizens Insurance Company of America. There were no settlements which exceeded insurance coverage during the year ended March 31, 2006.